

**DEPARTMENT OF VETERANS' AFFAIRS
ROANOKE, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of the Department of Veterans' Affairs for the year ended June 30, 2001, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters that we consider to be material weaknesses;
- no instances of noncompliance required to be reported; and
- adequate corrective action of prior year audit findings.

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March 7, 2002

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Veterans' Affairs** for the year ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective action of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations.

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable,

but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on March 7, 2002.

AUDITOR OF PUBLIC ACCOUNTS

JEG:aom
aom:22

FINANCIAL HIGHLIGHTS

The Department of Veterans' Affairs assists veterans and their families by handling applications for compensation, pensions, education, patient service, guaranteed loans, discharge reviews, Social Security hearings, retirement and burial benefits, and legal claims. The Department also represents clients in hearing at the United States Veterans Administration Regional Office in Roanoke and in appeals at the Board of Veterans' Appeals in Washington D.C. The Department disseminates benefits entitlement information to veterans and their families by providing outreach services at approximately 70 locations throughout the Commonwealth and assists veterans in hospitals and nursing homes.

The Virginia War Orphans Education program provides educational assistance to children, or surviving children of certain veterans. The Department receives applications and certifies student eligibility for a waiver of tuition and certain fees at Virginia's state supported higher education institutions under the provisions of the program.

The Department also has oversight for the operation of the Virginia Veterans Cemetery in Amelia, Virginia. Daily cemetery activities involve coordinating interment services and burials, grounds, building and equipment maintenance, processing burial and federal plot allowance applications, and recording burials.

Financial Information

The following selected information for the Department for the fiscal year ended June 30, 2001 is summarized from the Commonwealth Accounting and Reporting System.

	<u>General Fund</u>	<u>Amelia Cemetery Special Revenue Fund</u>
Revenues:		
General Fund appropriation	\$2,732,238	\$ -
Special Fund:		
Fees and burial allowances	<u>-</u>	<u>18,732</u>
Total revenues	<u>\$2,732,238</u>	<u>\$18,732</u>
Expenses:		
Salaries and fringe benefits	\$2,345,372	\$ -
Contractual services	204,136	11,396
Supplies and materials	15,425	15,691
Continuous charges	125,284	6,537
Equipment	40,227	13,645
Other	<u>681</u>	<u>699</u>
Total expenses	<u>\$2,731,125</u>	<u>\$47,968</u>

The Department had \$1,113 of unused general fund appropriation at June 30, 2001, subject to reappropriation in the next fiscal year. In addition, the Department had a \$12,712 cash balance on deposit with the Treasurer of Virginia in its special revenue fund for the Amelia cemetery.

New Veterans' Cemetery

The Department expended \$569,809 from General Fund Capital project appropriations to acquire land for the construction of a new Veterans' cemetery in Hampton Roads, Virginia.

DEPARTMENT OF VETERANS' AFFAIRS
Roanoke, Virginia

Theodore J. Mortensen, Director